GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:332
ANSWERED ON:23.12.2004
PRODUCTION OF BIO-DIESEL AND ETHANOL
Rana Shri Kashi Ram;Renge Patil Shri Tukaram Ganpatrao

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the steps taken by the Government to promote the production of bio-diesel and ethanol in order to cut oil import bill;

(b) the extent of success achieved by the Government as a result thereof;

(c) the quantum of bio-diesel and ethanol produced during the last two years;

(d) the provision of financial assistance in the production of bio-diesel and ethanol;

(e) whether Union Government is also considering to allow duty free import of edible oil exclusively for bio-diesel manufacturing for the time bound period so that more industry can start producing bio-diesel through farm product "Jatropha"; and

(f) if so, details thereof?

Answer

MINISTER OF PETROLEUM & NATURAL GAS & PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (f) : A statement is laid on the Table of the House

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF THE LOK SABHA STARRED QUESTION NO. 332 BY S/SHRI TUKARAM GANPATRAO RENGE PATIL AND KASHIRAM RANA TO BE ANSWERED ON 23.12.2004 REGARDING PRODUCTION OF BIO-DIESEL AND ETHANOL

(a) and (b) The Government is taking steps to part-substitute fossil fuels like motor spirit and diesel by bio-fuels such as ethanol and bio-diesel, to the extent feasible.

The Government of India had set up three pilot projects to examine operational, financial, environmental and other related aspects of 5% ethanol-blended petrol during the year 2001. Based on the success of the pilot projects, a decision was notified by the Government of India on 12.9.2002 to sell only 5% ethanol-blended petrol in select States and Union Territories w.e.f. 1.1.2003. However, due to the complex and differential tax structures of State Governments and the inconsistent availability of ethanol, the programme could be implemented only in a phased manner. Since late 2003 and in 2004, the availability of ethanol has been scarce and erratic in the States of Maharashtra, Goa, Gujarat, Karnataka and Andhra Pradesh. The price of ethanol also rose significantly at all locations. After discussions with State Governments, the Government notified vide Gazette Notification no. 705 (E) dated 27.10.2004 that 5% ethanol-blended petrol, as per Bureau of Indian Standards specifications, shall be sold if the price of sourcing indigenous ethanol for the supply of ethanol-blended petrol is comparable to the price of indigenous ethanol for alternative uses, and if the delivery price of ethanol at the location is comparable to the import parity price of petrol at that location, and the indigenous ethanol industry is able to maintain the availability of ethanol for the ethanol-blended petrol programme at such prices in the notified States and Union Territories. The areas which have been notified are the States of Goa, Gujarat, Haryana, Karnataka, Maharashtra, Punjab, Uttar Pradesh, Uttaranchal, Andhra Pradesh(all districts except Chittoor and Nellore), Tamil Nadu (only the districts of Coimbatore, Dindigul, Erode, Kanyakumari, Nilgiri, Ramanathpuram, Tirunelveli, Tuticorin, and Virudhunagar), and the Union Territories of Chandigarh, Dadra & Nagar Haveli and Daman & Diu.

The Oil Marketing Companies have decided to issue tenders for procuring ethanol in terms of the Gazette Notification dated 27.10.2004.

Studies have been undertaken to explore the possibility of producing bio-diesel from non-edible oils like Jatropha curcas, Pongomia, etc. The Planning Commission had set up a Committee on Development of Bio-fuel under the chairmanship of Dr. D. N. Tewari, former Member, Planning Commission which recommended launching of a National Mission on Bio-diesel with special focus on plantation of Jatropha curcas. The Ministry of Rural Development has been made the nodal Ministry to implement the National Mission on Bio-diesel and that Ministry has intimated the Ministry of Petroleum and Natural Gas that a Detailed Project Report (DPR) for the implementation of the Mission on Bio-diesel has been recently prepared by The Energy and Resources Institute (TERI) for the purpose.

At present, under instructions from the Ministry of Petroleum and Natural Gas to the Oil Marketing Companies in the public sector, field

trials using bio-diesel and diesel blend on buses are in progress in collaboration with Haryana Roadways and with Brihanmumbai Electric Supply and Transport Undertaking (BEST), Mumbai. Field trials and engine tests on locomotives are also in progress. For the purpose, bio-diesel has been procured through global tender.

(c) Bio-diesel is being produced mainly on a pilot scale, and molasses, a derivative of sugar used for manufacture of ethanol, is a decontrolled item. No data regarding production of either ethanol or bio-diesel are maintained.

(d) No direct financial assistance is being given for production of bio-diesel. However, for ethanol, the Government decided to grant fiscal incentives by way of reduction in the additional excise duty on petrol meant for blending with ethanol in 2002-2003. Accordingly, the additional excise duty of Rs. 6 per litre leviable on petrol was reduced by the Government by 30 paise per litre in the case of petrol intended for use in ethanol- blended petrol. The exemption was valid till 30.6.2004. The Ministry of Food & Public Distribution have informed the Ministry of Petroleum and Natural Gas that the Sugar Development Fund Act 1982 and Sugar Development Fund (SDF) Rules,1983, as amended from time to time, provide for extending loans to any sugar factory, or any unit thereof, for the production of anhydrous alcohol (ethanol) with a view to improving viability.

(e) At present no proposal is under consideration of the Government for the import of edible oil exclusively for production of bio-diesel.

(f) Does not arise, in view of (e) above.